

Getting Out of Debt

Whether through poor spending habits or a loss of a job, you may find yourself in debt. This article is designed to give you some tools you may find useful in overcoming debt.

Bottomline: Only time and a conscientious effort to pay your debts will get you out of debt.

Prepare A Budget: The first step is to prepare a budget. List your monthly income, then your monthly expenses. Include all of your expenses, no matter how small. Then compare your expenses with your monthly income. If your expenses exceed your income you should consider cutting back. Even if your expenses do not exceed your income, you still might want to cut back to free up more money to pay off your debts.

What expenses should you cut back on is up to you. However, you are better served by reducing your “variable” expenses, rather than your “fixed” expenses. “Variable” expenses include money spent for clothing, entertainment, food and recreation. “Fixed” expense are those that do not change, such as a mortgage or car payment.

Review Your Credit Card and Bank Account Statements: Going over these statements carefully can help you identify erroneous charges to your account, which can either help reduce your debt or free up money to pay off your debts. If there is an erroneous charge on your credit card, contact the credit card company and report it. You must do this within 60 days after the erroneous charge appeared on your credit card statement. Otherwise the credit card corporation will have no obligation to investigate or respond. Likewise for an erroneous charge to your bank account, contact the bank within 60 days after you see an erroneous charge on your bank statement. Again, if you fail to contact the bank within 60 days, the bank has no obligation to respond.

Contacting Your Creditors: If you know that you will have difficulty paying off your debts, then you may want to contact your creditors directly. Your creditors want to get their money, and may be willing to work out a modified payment plan that will help you payoff your debt. However, if you wait until the last second, your creditors will be less willing to work with you. So notify your creditors immediately if you even suspect a problem.

Employ Your Soldier and Sailor’s Civil Relief Act (SSCRA) Right:

Contact your creditor and assert your rights under the SSCRA. Under the SSCRA, you may be able to get the interest rate on some of your debts lowered to no more than 6%. The key to this provision is that you incurred the debt prior to entering the active service. This 6% interest rate relief will apply during the period of active duty service unless a court finds your ability to pay has not been materially affected by your military service.

Pay More Than Just The Minimum Balance: Credit cards and banks are in the business of making money. They get their money through the interest you pay on loans or credit balances. The longer you pay just the minimum balance, the longer a balance remains on your credit card or bank loan, which results in more money for the bank as well as the credit card company. With interest rates as high as 18%, that may be a lot of additional money

that you do not need to pay. Paying more than just the minimum balance will help reduce your debt.

Go To A Credit Counselor: If you are not able to successfully develop a budget, you may need the help of a professional. Consider contacting a credit counselor. These individuals can help you organize your budget and work out a debt repayment plan with your creditors. Credit counselors are generally available at your local Army Community Service office. If you decide to find a credit counselor on the internet, try to find one affiliated with the National Foundation for Credit Counseling.

Bankruptcy: This should be your last option. Bankruptcies stay on your credit record for at least 10 years. Though filing for bankruptcy can help you get rid of a number of troublesome debts, it will not get rid of all of them. If you owe alimony, child support, taxes, or student loans, bankruptcy will not get rid of those debts. Therefore, before you even consider going through bankruptcy, contact your legal assistance attorney. Your legal assistance attorney will be able to help you determine if bankruptcy is right for you and what type.

Avoid Credit Repair Clinics: Either through junk-mail or from the newspaper, you may find advertisements for credit repair clinics. These agencies will offer to fix your credit for a fee. You should stay away from these firms, as many of them use illegal practices, or will charge you a fortune for doing things that you can do yourself. For example, you do not need a credit repair clinic to remove incorrect information from your credit report. You can do that yourself by writing the credit bureaus.

There is no magic formula to help you get out of debt. Hopefully this article has given you some ideas on how to handle your debt more effectively. For more information you might want to check:

www.ftc.gov

www.nfcc.org

www.myvesta.org

www.practicalmoneyskills.com

Or you legal assistance office.